

**Unitarian Universalist Association  
Annual Report of the Treasurer  
to the 2021 General Assembly**

**Submitted by  
Andrew McGeorge, Treasurer & Chief Financial Officer**

**Financial Condition of the Association**

The Unitarian Universalist Foundation ended fiscal year 2020 (FY20) in solid financial condition. Of course, FY20 was marked by the onset of the pandemic. The three most immediate impacts of the pandemic for the UUA were our application for the Paycheck Protection Program (PPP) loan, the abrupt pause of travel and events and resulting cost savings, and tremendous uncertainty about how our congregations would be affected by the pandemic and what that might mean for Annual Program Fund (APF) contributions.

At the time the UUA applied for PPP funding, equity markets were undergoing a sharp sell-off, book sales had dropped precipitously due to online retailers prioritizing essential items for shipments, and the status of our new tenants, who were still building out their spaces and had not yet occupied the building, were quite uncertain. We also had questions about APF contributions going forward. As such, we had strong conviction in our urgent need to apply for PPP funding. The amount ultimately granted to the UUA was just under \$3.3 million. As it turned out, congregations continued to give generously and largely met their APF commitments, Beacon Press enjoyed a banner year, and the markets rebounded relatively quickly. These factors, along with our auditors recommending that we book the proceeds of the PPP loan as income, resulted in a very strong year for the UUA.

As of this writing, the UUA is tracking towards an operating surplus for the 2021 fiscal year, driven by many of the same factors, including savings on travel and event and remarkably strong APF contributions from our congregations. In fact, for FY21 APF is running just 3 percent behind FY20 levels, and FY20 was virtually identical to FY19. The generosity of congregations continues to inspire us.

- The audited financial statements of the UUA, which follow this report, were accepted by the UUA Board of Trustees at their January meeting after thorough vetting by the Audit Committee. The Association’s auditors, Mayer Hoffman McCann P.C., issued a “clean opinion.” That is, they certified that the statements, which were prepared by the UUA staff, fairly present the financial condition of the Association in all material respects.
- The auditors also conducted an audit of the Unitarian Universalist Common Endowment Fund, LLC, which is organized as a separate legal entity. Because the entity is controlled by the UUA’s Board of Trustees, it is treated as a subsidiary and consolidated into the UUA financial statements. A stand-alone report has also been issued primarily for the benefit of congregations investing in the fund.
- Likewise, the financial statements of the UUA Health Plan, which is organized as a separate

trust (officially the UUA Employee Benefits Trust), were audited by RSM, who issued a clean opinion. They follow this report.

- The income statement of the UUA for fiscal year 2020 shows a surplus for the year from operations of \$9.3 million. Included in this amount is the \$3.3 million of PPP funding. However, the largest source of the increase came from publishing income, with net sales from publishing activities up some \$4.9 million from fiscal year 2019. The nationwide protests beginning in May 2020 following the murder of George Floyd led to renewed interest in several Beacon Press titles. Non-operating gains/losses, primarily related to year-over-year declines in the value of the Common Endowment Fund, showed a loss of \$7.6 million. The Association's overall gain for the year was \$1.577 million.
- The UUA's operating budget, which largely maps to the "Current" business segment in the audited financials, ended FY20 with a surplus of \$4.609 million. Again, about \$3.3 million of this was related to PPP funding and will be used in future years to fill in gaps in APF funding and other income sources that we still expect to occur. Of the remaining \$1.3 million in surplus, the UUA Board of Trustees elected to restrict the use of this surplus. Specifically, the Board identified \$250,000 to use in supporting General Assembly, providing flexibility in planning future events and rebuilding GA reserves. The balance of the surplus was restricted to use in the UUA's implementation of the recommendations of the Commission on Institutional Change.

## **Operating Budgets**

The budget for the fiscal year starting on July 1, 2021, was approved by the Board of Trustees at their April meeting. The summary operating budget for fiscal year 2022 can be found at the end of this report. A Budget Hearing is scheduled during the General Assembly on Friday, June 25, 2021, at noon EDT / 9 a.m. PDT.

## **UU Common Endowment Fund**

The UU Common Endowment Fund holds the Association's endowment (including restricted, board restricted and unrestricted funds), trusts invested on behalf of others (principally congregations), and funds invested by congregations and other UU organizations. The UUCEF is structured as a unitized common fund, which means it operates like a mutual fund, with investing organizations (including the UUA) purchasing units and sharing proportionally in the income, gains, losses, and expenses of the fund. More information about the UU Common Endowment Fund is available on the [UUCEF website](#).

- As of March 31, 2021, the UUCEF held assets valued at \$254 million. Just over \$110 million is the Association's endowment, both restricted and unrestricted, while nearly \$20 million is held in trust for the benefit of congregations and affiliated entities. The balance represents investments from congregations and other related organizations of around \$124 million. Individuals may not invest in the UUCEF.
- For the 12 months ending March 31, 2021, the Fund achieved a gross return of 38.7% compared to a weighted average benchmark of 36.8%. In our peer group of similarly sized

endowments, we ranked at the 36<sup>th</sup> percentile (i.e., just outside of the top third) in performance over the past year. Net of all fees and expenses the fund returned 37.5%.

Under the oversight of the Investment Committee, the UUCEF pursues a goal of achieving long-term real returns (after inflation) sufficient to allow regular distributions while maintaining the purchasing power of the corpus within a moderate risk tolerance. It pursues this goal through diversification – diversification among asset classes (large cap equities, small cap equities, fixed income, global tactical asset allocation funds, and private capital), geography (U.S., developed international, emerging markets), and managers. As of 3-31-21, the UUCEF used 26 different money management firms, each with its own specialty.

### **UUCEF Annualized Return, Periods Ending 3/31/21**

	1 Year	3 Years	5 Years	10 Years
Gross return	38.7%	10.7%	11.3%	7.7%
Weighted average benchmark	36.8%	9.7%	10.3%	7.4%
Percentile rank compared to like-sized endowments. <i>1 = highest 1%; 99 = lowest 1%</i>	36	10	11	45
Net return	37.5%	9.6%	10.1%	6.6%

The Association encourages member congregations, regions and affiliates to invest endowment funds in the UUCEF along with the UUA’s endowment. Investing with the UUA offers the advantage of investment and administrative stability, broad diversification, professional investment guidance, and the oversight of the Association’s Investment Committee.

### **Socially Responsible Investing**

The Investment Committee and the Socially Responsible Investing Committee (SRIC) have worked together to strengthen the UUCEF’s socially responsible investing (SRI) practices. More recently they have begun integrating their work more intentionally. The three principle SRI strategies are: security and manager selection, shareholder advocacy, and community investments.

- [Investment and manager selection](#): The UUCEF portfolio holdings include both individual securities and pooled funds (mutual funds and private co-mingled funds). Individual security holdings (also called separate accounts) are primarily US equities, or individual stocks. The UUA instructs its managers to avoid companies that are poor performers on environmental, social and governance issues. When selecting managers for pooled funds, the Investment Committee incorporates values criteria into the selection process. Nearly 85 percent of the UUCEF's assets are with managers who use SRI and/or ESG strategies.

- [Shareholder advocacy](#): The UUA is an active shareholder, witnessing for social justice through its ownership position in companies. We are fortunate to have Tim Brennan continue to work in a part-time capacity to advance our advocacy work. We remain a leading voice on issues of climate change, human rights, racial justice, and disclosure of political and lobbying expenditures. Across these areas we are directly engaged with 18 companies and serve as the lead investor on fourteen of these engagements. We also continue to serve as part of investor teams engaging three companies on climate change through the Climate Action 100+, a global coalition of investors with \$40 trillion in assets under management. In addition to these ongoing efforts, we have been an active voice in opposing the proposed SEC regulations to curtail the ability of small investors to submit shareholder proposals.
- **Community Investments**: The UUA Board of Trustees approved at its January 2020 meeting a change to the Common Endowment Fund Community Investment Guidelines and Policy that allows for up to 5 percent of the Common Endowment Fund to be placed into Community Investments. Additionally, half of this allocation may be invested in below market return investments, while the remainder must have a market rate of return. Examples of common community investments include community loan funds, affordable housing, micro-finance, and community development credit unions and banks. [The UUA offers an investment matching program](#) for congregations into community investments, with a minimum congregational investment of \$2,000 and a maximum UUA match of \$10,000.

## **Holdeen Trusts**

As of December 31, 2020, the Holdeen Trusts were valued at \$36.2 million, up nearly \$700k during the calendar year. Under the terms of the Holdeen and certain other trusts, the Association has a right to receive and to use the income earned on the trust assets for designated purposes, but the principal itself will never be available to the Association nor does the UUA control how these funds are invested. The Holdeen Trusts are used primarily to support the Association's international work including the [Holdeen India Program](#).

## **Retirement Plan**

The [UU Organizations Retirement Plan](#) has 4,245 participating individuals with investments of \$476.3 million as of December 31, 2020. This compares to 4,316 participating individuals with investments of \$420 million as of December 31, 2019. These totals include active participants, retirees and survivors, and individuals who are no longer employed by a UU organization but have kept their funds in the Plan. The average plan participant balance is around \$112,200, and the median balance is approximately \$39,000.

The Plan is overseen by a [Retirement Plan Committee](#) appointed by the Board of Trustees. The committee is advised by [Fiducient Advisors](#), a leading investment consulting firm.

	C	D	E	F	G	H
2	<b>Unitarian Universalist Association</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>Percent</b>	<b>FY23</b>
3	<b>Budget Overview</b>	<b>Results</b>	<b>2Q21 Fcst</b>	<b>Budget</b>	<b>Inc/(Def)</b>	<b>Budget</b>
4	<b>Current Operations</b>					
5						
6	\$ in Thousands					
7	<b>Income:</b>					
8	<b>Income for General Support</b>					
9	Annual Program Fund	6,376	6,115	7,265	18.8%	7,265
10	Annual Program Fund - Regional	1,500	1,609	0	-100.0%	0
11	Unrestricted Gifts	1,051	1,050	1,150	9.5%	1,150
12	Leadership Annual Giving	301	300	425	41.7%	425
13	Grants Income - Unrestricted	3,297	0	0	0.0%	0
14	Bequest Income	871	625	600	-4.0%	600
15	Administrative Fees	2,222	2,407	2,613	8.5%	2,626
16	Investment Income	2,498	2,419	2,368	-2.1%	2,457
17	Publications Income	962	1,058	1,101	4.1%	1,101
18	Net Lease Income	1,181	1,123	1,133	0.9%	1,092
19	Other Current Fund Income	591	581	754	29.8%	754
20	<b>Total Income for General Support</b>	<b>20,848</b>	<b>17,287</b>	<b>17,408</b>	<b>0.7%</b>	<b>17,469</b>
21						
22	<b>Income for Designated Purposes</b>					
23	Campaign Income	1,514	1,005	833	-17.1%	833
24	UUCSR Veatch Grants	2,154	2,379	2,388	0.4%	2,388
25	Grants and Scholarships	852	853	853	-0.1%	853
26	Ministerial Aid Funds	482	443	441	-0.6%	441
27	Holdeen and International Trusts	1,551	2,126	1,688	-20.6%	1,688
28	Income for Other Purposes	4,738	1,437	1,511	5.2%	1,514
29	<b>Total Inc for Designated Purposes</b>	<b>11,291</b>	<b>8,244</b>	<b>7,713</b>	<b>-6.4%</b>	<b>7,717</b>
30	<b>Total Income</b>	<b>32,139</b>	<b>25,531</b>	<b>25,121</b>	<b>-1.6%</b>	<b>25,186</b>
31						
32	<b>Expenses:</b>					
33	<b>Board &amp; Volunteer Leadership</b>	<b>304</b>	<b>278</b>	<b>282</b>	<b>1.3%</b>	<b>282</b>
34						
35	<b>Programs:</b>					
36	Organizing Strategy	742	1,053	903	-14.2%	816
37	International Programs	1,822	2,032	1,760	-13.4%	1,766
38	Congregational Life	4,766	4,517	4,735	4.8%	4,861
39	Ministries and Faith Development	5,034	5,167	5,734	11.0%	5,782
40	UU Funding Program	1,146	1,404	1,413	0.6%	1,413
41	Crisis Relief & Misc. Programs	238	73	136	87.5%	136
42	Communications	1,353	1,242	1,453	17.0%	1,473
43	Publications	1,158	1,279	1,353	5.8%	1,360
44						
45	<b>Total Programs</b>	<b>16,260</b>	<b>16,767</b>	<b>17,487</b>	<b>4.3%</b>	<b>17,608</b>
46						
47	<b>Administration</b>	<b>4,547</b>	<b>1,905</b>	<b>1,995</b>	<b>4.7%</b>	<b>2,043</b>
48	<b>Contingency/Salary Increase</b>	<b>0</b>	<b>175</b>	<b>531</b>	<b>203.4%</b>	<b>534</b>
49						
50	<b>Infrastructure</b>					
51	Stewardship and Development	1,942	2,169	2,438	12.4%	2,461
52	Information Technology Services	1,533	1,651	1,750	6.0%	1,720
53	Internal Services	2,944	3,573	3,435	-3.9%	3,498
54	<b>Total Infrastructure</b>	<b>6,418</b>	<b>7,393</b>	<b>7,623</b>	<b>3.1%</b>	<b>7,679</b>
55						
56	<b>Total Expenses</b>	<b>27,530</b>	<b>26,518</b>	<b>27,918</b>	<b>5.3%</b>	<b>28,146</b>
57						
58	<b>Depreciation Spending</b>	<b>0</b>	<b>600</b>	<b>547</b>		<b>547</b>
59	<b>Depreciation Spending Laptops</b>	<b>0</b>	<b>0</b>	<b>57</b>		<b>57</b>
60	<b>Church Staff Finances Reserve</b>	<b>0</b>	<b>126</b>	<b>123</b>		<b>123</b>
61	<b>Beacon Press Profit Sharing</b>	<b>0</b>	<b>261</b>	<b>565</b>		<b>565</b>
62	<b>PPP Loan Usage</b>	<b>0</b>	<b>0</b>	<b>1,036</b>		<b>1,036</b>
63	<b>Regional UUCEF Release</b>	<b>0</b>	<b>0</b>	<b>200</b>		<b>200</b>
64	<b>COIC Implementation Funds</b>	<b>0</b>	<b>0</b>	<b>270</b>		<b>270</b>
65						
66	<b>Current Section Excess/(Deficit)</b>	<b>4,609</b>	<b>0</b>	<b>0</b>		<b>(163)</b>
67						